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Bankruptcies Soar in the Big Market Shakeout
Truman Arnold Proves Indies Can Outsell Majors
Operations Experts Hype New Era of Automation

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How Non-Detection Can Cost You

The Tank Leak Mess

NATIONAL PETROLEUM NEWS

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Somewhere in the U.S., an underground gasoline or fuel oil tank began leaking today. The same thing happened yesterday. It'll happen again tomorrow. Of most concern to marketers is the potential liability of tank leaks, which could put some firms out of business overnight. Page 36.
Cover illustration by Bob Clarke.

A unique supplier-jobber relationship involving Texaco, Conoco and Texas superjobber Truman Arnold is working like a charm for all parties concerned in the explosive Denver market. As a result, more majors could turn to more independents to do their marketing for them. Page 42.

Uncertain supply conditions, a marketer cash flow squeeze and mounting bankruptcies force the conclusion that the much predicted post-decontrol 'shakeout' is here in earnest. The long-term implications are sobering. Page 25.

• TRENDS

Refineries Lose Sex Appeal For Indies; One Example Why

There was a trend among large independent chain retailers to get into the refining business two or three years ago. Under federal controls at the time, it seemed the smart thing to do. Today, however, some find themselves ensnared in a costly trap and struggling to get out of it.

Sigmor Corp., San Antonio, Tex., considered one of the industry's largest independents, is one such marketer.

Sigmor lost $14-million during this year's first quarter in its overall operations. Its refining operation, alone, lost $30-million. For the first nine months of its fiscal year ending June 30, the company posted a net loss of $5.6-million, the first in its history.

Tom E. Turner, Sigmor president, believes his company will show a profit in the quarter that ended June 30 when all the figures are in. Robert J. Boerner, treasurer, points out that "we wrote everything down to the bone" in the quarter ending March 31 because market conditions were so poor.

The losses through the company's third quarter, however, touched off a spate of apparently unfounded rumors that Diamond Shamrock Corp. might try to take it over. The latter, which supplies approximately 55% of the gasoline sold by Sigmor's 600 retail outlets, already holds 21.04% of Sigmor's stock. Diamond Shamrock also has recently expanded its credit line and talks of seeking acquisitions [NPN—June p11]. It has denied any plans to buy Sigmor, however.

It is unlikely that Diamond Shamrock or anyone else would succeed in an unfriendly takeover attempt of Sigmor. Turner and his wife personally hold about 58% of all outstanding stock and additional shares held by two sons push total family holdings to around 63%, says Boerner.

Sigmor purchased $448-million worth of products from Diamond Shamrock in the fiscal year ending June 30, 1981, and in turn sold back to it $86-million worth. So, the two already have a close working relationship.

Turner brushes off talk that Diamond Shamrock or anybody else might be trying to buy Sigmor. If a buyer were to show up "with a truck full of money, we'd talk to him, but first we'd have to measure the truck," he says.

Turner has been very frank with shareholders about Sigmor's struggles with its refinery, but he sees brighter days ahead.

Sigmor purchased a small refinery at Three Rivers, Tex., several years ago. The plant was closed at the time and was little more than a "topping" facility. It has been rebuilt at a huge cost into a modern refinery of about 65,000 b/d capacity. A fluid catalytic cracking complex, alone, was added at a cost of more than $100-million. Facilities have been expanded, also, to process over 20,000 b/d of "sour" crude. But while making all of these investments, the company has hit one roadblock after another in trying to work its way out of a crude oil supply trap.

The raw material supply problems began in the late 1970s when refiners were scurrying around both at home and abroad for connections. Turner made contact with Nigeria and entered into a contract at premium prices. This seemed to be the wise thing to do at the time because worldwide crude supplies were short and spot market prices were high. Small refiners back then also could afford to pay above-market prices for raw material because of benefits from the "entitlements" and "small-refiner bias" portions of federal controls.

But then the controls ended in January 1981, and the bottom fell out of both the crude oil and refined products markets. By the end of June 1981, Sigmor's refinery division posted a pre-tax loss of nearly $14-million. But this was just the beginning of its problems.

In November and December, the company began stockpiling feedstocks for the planned start-up of its new "cat cracker." This led to the accumulation of higher than normal levels of both crude oil and finished products, Turner has told shareholders.

Beginning in January 1982, crude oil prices began dropping sharply. What Sigmor had stockpiled dropped in value 15% to 20% during the next three months. Refined products began selling below the cost of crude. Sigmor's refinery was forced to process its accumulated high-priced inventories at a substantial loss.

Turner told Sigmor shareholders in May that things are looking up for the company's refinery operations. Crude oil prices were beginning to stabilize and refined product prices were rising. Indeed, by late May, Sigmor was able to hike its wholesale rack prices as much as 13¢ gal. over just a few days.

But while Sigmor may be working its way out of its refinery problems, such experiences are prompting the larger independents to avoid refinery purchases like the plague.

—Marvin Reid

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

APRIL	Gasoline (All types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.210	$1.18	$1.225	$1.368
Regions:				
Northeast	1.233	1.174	1.237	NA
North Central	1.195	1.152	1.213	1.323
South	1.174	1.107	1.191	NA
West	1.264	1.183	1.284	1.381

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	5/28/82	5/29/81
Gasoline (total)	212,947	257,804
Gasoline (unleaded*)	84,509	97,389
Kerosine **	46,106	50,540
Distillates	109,976	164,599
Residual	54,248	77,987

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

Oil Group Downgrades 1982 Demand Estimates

Independent Petroleum Assn. of America (IPAA), in an updating of its 1982 forecast, believes domestic oil demand will decline about 600,000 b/d this year, about 3.7% below 1981 which in itself, was 1-million b/d down from 1980.

The association's supply and demand committee, which met in May in Reno, Nev., blames the continuing slump on the "combined factors of a sluggish economy, the cumulative impact of previous large-scale price increases, and displacement by alternative fuels."

The committee says domestic demand will average 15.4-million b/d in 1982. This is significantly below the more optimistic projection it made last fall when it suggested that demand would average 15.9-million b/d.

Here are some of the highlights of the revised forecast:

- **Motor gasoline,** down 2.1% in 1982 to about 6.45-million b/d. The committee says demand is expected to strengthen in the third and fourth quarters, after a very weak first quarter, but that diesel penetration and increased efficiency will keep consumption below last year's level."
- **Middle distillate,** off 3.6% to an average of 2.85-million b/d, in the wake of a drop of nearly 5.4% in 1981. "Despite the severe weather in the Midwest and East [last winter], continued conservation and substitution by other fuels will result in lower heating oil demand which will more than offset gains in diesel fuel consumption," the report says.
- **Residual fuel oil,** down 140,000 b/d to an average of 1.92 million b/d, or 6.8% less than 1981. Says the committee: "Most of the reduction in residual fuel oil demand will be the result of coal and nuclear power substitution in the electric utility sector."

Other projections also are negative for 1982. But, there should be no problems with supply this year, IPAA states, "in the light of product demand declines."

The study says motor fuel stocks are expected to hover around the 233-million-bbl. level during the summer and autumn months and may decline to around 230-million bbl. later this year.

In the same vein, distillate stocks, now at a low point of less than 135-million bbl., are expected to increase to 185-million bbl. in the third quarter and to 189-million bbl. in the fourth quarter. This is extremely low inventory for fuel oil which normally has in excess of 200-million bbl. on tap as winter weather settles in.

This could presage some tight supply times next December-January if prolonged and/or bitter cold weather should grip the East and Midwest.

Most Companies Suffered Product Sales Losses in '81

Only two companies weathered the storm in 1981 to sell more petroleum products over the 12-month period than they did the year before—Tenneco and Diamond Shamrock.

All of the others suffered losses in product sales ranging from 1% to 14%.

Product sales involve gasoline, distillates, kerosine, resids and other refined items.

Tenneco, with an average of 142,000 b/d of product sales, reported a 12.7% increase in 1981 over 1980. Diamond Shamrock, with a volume of 84,000 b/d, also was on the plus side with a 1.2% gain.

As befits the No. 1 oil company, Exxon continued to be the leader in total product sales, averaging 1,295,000 b/d. But Exxon also came within a hair, percentagewise, of sustaining the biggest decline in volumes last year vis-à-vis 1980. It was down 13.8%. Only Ashland's percentage drop was greater—14.1%. But Exxon's plunge averaged 208,000 b/d while Asnland's equaled no more than 70,000 b/d.

The deluge of minus signs confirmed what everyone took for granted in 1981—that consumption of gasoline, distillates, resids and other products fell sharply during the year. The accompanying table gives a rundown of product sales volumes, as gleaned from the annual reports of the top 22 companies, i.e., those with $1-billion or more in assets. NEV

1981 Oil Company Product Sales

(Add 000 b/d)

Company	1981	1980	% Change
Exxon	1,295	1,503	(13.8%)
Standard of Calif.	1,141	1,255	(9.1)
Texaco	901	980	(8.1)
Standard of Indiana	831	957	(13.2)
Shell	826	922	(10.4)
Mobil	696	797	(12.7)
Gulf	691	737	(6.2)
Atlantic Richfield	648	703	(7.8)
Amerada Hess	515	550	(6.4)
Sun	477	544	(12.3)
Marathon	458	464	(1.3)
Phillips	446	460	(3.0)
Ashland	428	498	(14.1)
Standard of Ohio	378	415	(8.9)
Union	365	422	(13.5)
Getty	286	289	(1.0)
Cities Service	249	271	(8.1)
Kerr-McGee	150	168	(10.7)
Tenneco	142	126	12.7
American Petrofina	121	138	(12.3)
Murphy	91	92	(1.1)
Diamond Shamrock	84	83	1.2

Many Issues Sidetracked by Budget Battle and Elections

A sticky budget battle and the coming November elections have put Congress in a scheduling bind that could leave several pieces of legislation important to the petroleum marketing industry languishing until next year.

At stake are pending bills such as the one sponsored by Rep. Frank Annunzio (D-Ill.) which would outlaw refiner credit card surcharges; the ill-fated divorcement legislation; Clean Air Act amendments; a measure to get the Northern Tier Pipeline under construction, and even the White House-backed Energy Department dismantlement bill.

"It's going to be an uphill struggle to get any but the most pressing bills passed this year," one congressional aide said last month. "Anything that is the least bit controversial probably will be sidetracked. There just won't be much time for extended debate on anything but the budget bills and some appropriations measures."

The main culprit is the congressional schedule. With elections coming in No-

Lead Issue Aired by EPA

The Justice Department has come down on the side of U.S. refiner groups, saying the Environmental Protection Agency (EPA) should not continue exemptions to its lead phasedown rules for blenders and gasoline importers unless it does the same for small refiners.

EPA presently is weighing the lead phasedown rules and faces a choice among three options. It can continue exemptions for small refiners, blenders and importers; tighten lead-content restrictions on refiners only, or tighten them for all three groups. Large refiners already are subject to the tougher half-gram per gal. standard on lead content.

In addition to the call for uniformity, Justice officials—in formal comments on the EPA rule—introduced a novel idea into the proceedings. After insuring that the rules apply equally to all groups, Justice said, EPA should consider a plan under which refiners could buy the right to add lead to gasoline. The plan would let EPA regulate the overall amount of lead in motor fuel by restricting the number of permits, and discourage lead use by forcing refiners to pay stiff fees.

While EPA officials acknowledged the Justice comments, they refused to comment on the Justice fee plan.

The newly-formed Gasoline Blenders and Terminal Operators Assn. already had testified before EPA that changes to members' "small refiner" status would seriously damage their business. N:V

Expensive by the Dozen

No less than 12 oil company executives were listed among the nation's top 100 wage earners in 1981, according to *U.S. News & World Report*.

Executive rankings and their earnings are compiled in the accompanying table.

Biggest moneymaker of all was David Tendler, co-chairman of Philbro, a worldwide marketer of minerals, metals, fuels and grains. He got $2,668,000 in 1981, of which more than half came in the form of bonuses.

The president of Philbro was No. 2 on the hit parade, netting $2,220,871 in 1981, almost half in bonus money.

No. 3 in the paycheck department was the chairman of Warner Communications who earned a paltry $350,000 in pay but picked up $1,604,000 in bonuses for a grand total of $1,954,136. N:V

What Oil Company Chiefs Took Home in 1981

Ranking	Executive	Salary	Bonus	Total
6	Rawleigh Warner, Jr., Chairman, Mobil	$590,786	$887,000	$1,447,786
7	Clifton Garvin, Jr., Chairman, Exxon	716,667	713,745	1,430,412
8	Fred Hartley, Chairman, Union of California	508,333	823,074	1,331,407
11	William Tavoulareas, President, Mobil	485,448	767,000	1,252,448
27	H.C. Kauffmann, President, Exxon	514,167	470,347	984,514
44	J.F. Bookout, President, Shell	—	—	857,916
54	G.M. Keller, Chairman, Standard of California	420,300	400,407	820,707
65	J.E. Swearingen, Chairman, Standard Oil (Ind.)	451,897	325,000	776,867
69	J.R. Grey, President, Standard Oil of California	—	—	759,991
72	Robert Anderson, Chairman, Atlantic Richfield	—	—	754,000
80	Armand Hammer, Chairman, Occidental	—	—	742,000
100	J.L. Ketelsen, Chairman, Tenneco	—	—	681,817

Source: U.S. News & World Report

Oil Reserve 'Fill Rate' Takes on Significance

The Strategic Petroleum Reserve has become the focus of a squabble between Congress and the White House that could have a serious effect on oil marketing should crude oil become tight.

Late in May, the Senate passed legislation which orders the president to fill the reserve at the rate of 300,000 b/d, beginning in October. The bill passed after Senators voted 51-44 against an amendment that would have allowed the White House to fill the reserve more slowly in 1983—at 208,000 b/d.

At presstime, the House was working on a version of the same legislation that calls for the White House to fill the reserve at the rate of 200,000 b/d until the 500-million-bbl. level is reached, then increase the rate to 300,000 b/d until 750-million bbl. are in storage. The House plan also gives the president one year to come up with a stand-by plan for distributing oil from the reserve should an emergency require it.

Neither bill has won the endorsement of the White House. The 300,000 b/d fill rate will be expensive, administration officials warn, because the salt caverns used for the reserve won't be opened fast enough and some of the crude will have to be stored above ground temporarily. The Senate did give the administration a loophole to use, however: The fill rate is subject to available funding.

The allocation plan sought in the House bill also presents a likely snag. President Reagan has steadfastly refused, so far, to go along with any plan calling for government allocation of crude oil supplies.

Demand Plunge Sending Tankers to Early Grave

The recent international oil surplus is raising hob with the industry's seagoing tanker population, according to *The Wall Street Journal*.

So many idle tankers are available that they're being scrapped by the dozens. The newspaper says at least 100 vessels are lying in European and Eastern ports probably awaiting similar fates, and long before their useful lives are over.

Quoted was an Exxon official who said "part of the reason for the scrappings is that people aren't optimistic about long-term demand." It was noted that Exxon recently sold five large tankers for scrap, apparently for just such a reason.

Sources estimate that oil tankers might fetch $3-million to $4-million for scrap but would cost $90-million to build.

Dramatizing the trend are reported figures which indicate that 35 large tankers were junked in the first four months of this year, compared with 38 for all of 1981.

Fuel Oil Briefs

(continued from page 49)

improved additives have turned the tide. In 1981, the utilities consumed mainly coal additives."

The most important fuel additives may be classified into several major groups, says Kline: preburner additives; freeze control agents; dust control agents; fireside additives; flue gas conditioners, and cold-end acid neutralizers. Preburner formulations are used to (1) disperse sludge and emulsify water in fuel oil, (2) reduce oxidation, and (3) decrease corrosion, and thereby keep fuel strainers and heaters clean, says Kline.

In the fireside area, the burning of fuel oil or coal can adversely affect boiler system components; additives are useful in warding off soot, slag and corrosion which can block heat transfer, impede efficiency and possibly damage costly equipment.

Spearheading the demand for these specialty products, according to Kline, are these factors: government mandates such as the Clean Air Act, Natural Gas Policy Act, and the Power Plant and Industrial Fuel Use Act; the long-term availability and quality of fuels, and capital costs associated with alternate remedies.

N.Y. Power Users Get On-Site Energy Boost

New York State's Public Service Commission, in a decision that could become a benchmark for other states, has ordered electric utilities to accept on-site power generation as a fact of life and learn to accommodate it as well.

The state says the utilities must provide supplemental power to the on-site units when needed, and to buy from them any surplus power they may have from time to time.

It opens the door for big utility customers to set up their own generation plants, using No. 2, diesel oil or natural gas as fuel sources.

It is a left-handed blessing for the total energy plant concepts which have long been promoted by the oil and gas industries.

What has inhibited these developments, to date, was the fact that in the event of equipment failure they had no access to outside power. The utilities either avoided such tie-ins or charged exceptionally high rates for emergency supplies.

The Public Service Commission order now makes it necessary for the utilities not only to provide service when needed but also to buy up the extra power that might be generated.

The basic order was directed against Consolidated Edison Co., which is the largest utility in the nation.

Degree Days Show Last Winter Was Colder than Normal

Degree day data confirm what just about everybody in the Midwest knew well last winter—that it was a lot colder there than the previous year and much colder, too, than the so-called "normal" temperature.

The data show that it was 8.7% colder in the Great Lakes area than during the winter of 1980-81, and 10.3% colder than the climate normally expected for the September-May period.

There were several times in January and February that the thermometer plunged to 25 degrees below zero Farenheit in the Chicago area alone.

Nationwide, the weighted averages show it was 7% colder last winter than the year before, and 5.8% colder than "normal."

Here's a degree day summary of the winter season as compiled by *Platt's Oilgram* News Service from National Weather Service stations in 18 different locations:

Degree Days: Sept. 1-May 1

Regions	1981-1982	% Change '82 vs '81	% Change vs Normal
East Coast			
Boston	5,675	0.9%	5.5%
New York	4,900	1.8	3.8
Philadelphia	5,184	2.7	9.1
Washington	4,255	14.3	2.7
Average	5,004	4.3	5.4
Great Lakes			
Buffalo	6,894	7.4	5.8
Chicago	6,963	14.8	12.3
Cleveland	6,301	2.1	7.6
Detroit	6,906	10.7	15.8
Average	6,766	8.7	10.3
Midwest			
Denver	5,112	13.7	10.2
Minneapolis	8,073	15.6	1.9
Omaha	6,696	15.4	13.6
St. Louis	5,201	21.2	12.0
Average	6,271	16.3	3.8
West Coast			
Average	3,304	12.2	−3.5
Southeast			
Average	3,149	−1.3	4.1
Simple Average for all Groups	4,899	8.6	4.8
Heating Oil Demand Indicator (*)	5,231	7.0	5.8

(*)This is the average of each group's simple average but weighted to reflect each group's percentage of past home heating oil demand in the various cities.

Europeans Begin Producing Efficient Burner Here

Oertli American/ABC Sunray Corp. has opened a new 50,000-sq.-ft. manufacturing and headquarters facility in Commack (Long Island), N.Y. Production will be heavily weighted to a line of energy efficient oil and gas burners engineered in Switzerland by the Oertli Energy Group, the U.S. corporation's parent.

The company plans to introduce to the U.S. space heating market a low combustion oil burner which Oertli officials claim is capable of firing at a rate of less than one-quarter of a gal. per hour. Most homes in the Northeast, the company points out, use burners with firing rates ranging between three-quarters of a gal. and two gal. per hour.

Prompting development of the low-firing-rate burner is more modern, energy efficient housing and construction. According to the company, the trend to energy efficiency and conservation is well advanced in Europe and high-cost energy "has always been a factor there."

Oertli American says its new burner is "designed for energy efficient structures with design heat losses below 50,000 btu/hr." and is suitable "for structures with design heating loads as low as 20,000 btu/hr." such as are now being built in Europe.

The company also says it plans to produce and install systems which rely on several heat sources in combination: passive solar, a heat pump and either fuel oil or gas. Such systems can be "programmed to use each heat source only under the circumstances when it is most efficient," say Oertli executives. NPN